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SUBJECT: Ukraine: International Anticorruption and Good Governance Report

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1. (SBU) In 2004, the Ukrainian people radically changed Ukraine's political landscape by standing up for their rights and successfully demanding that the results of the Presidential election reflect their will in what was known as the "Orange Revolution." In a watershed decision that demonstrated the rule of law over entrenched, corrupt power, the Supreme Court invalidated the falsified second round of the voting and called for a repeat vote. These events, which have changed the underlying dynamic between Ukrainian citizens and their government, created the possibility for advancing the rule of law and strengthening the fight against corruption.

2. (SBU) The new Ukrainian Government which took power in February 2005 was the first government dedicated to fighting corruption. It faced serious challenges in delivering on the populace's very high expectations for improvement. At issue were a government and economy pervaded with corruption; the task was not simply to root out discrete pockets of corruption. Over the government's first year in office, there have been success stories. Empowerment of the Internal Affairs Department within the Ministry of Interior led to the prosecution and firing of thousands of corrupt law enforcement officials who had preyed upon the public. The "Contraband - STOP" program focused on rooting out endemic corruption in the customs service. This program helped recoup tariff revenues of \$424.5 million for the government coffers in 2005. By closing loopholes favoring the well-connected, and by increasing integrity and enforcement within the State Tax Administration, the government posted 46.8 percent growth in tax revenue over 2004.

3. (SBU) Public perceptions of corruption, however, improved only slightly. A Prosecutor General held over from the previous regime through October 2005, delays in initiating reforms of the judicial system, and the absence of a monitoring system underline the tremendous scale of the problems and the work that remains to be done to build integrity into state institutions. Anti-corruption programs largely are demand-driven in Ukraine; free media, public awareness, and the high expectations of citizens have created political demands that corruption be eradicated in Ukraine. For the first time in Ukraine's history as an independent country, a government was dismissed (in September 2005) following public allegations of corruption.

4. (SBU) In 2005, the USG initiated new programs and expanded existing programs to help the new government in its anti-corruption efforts. In the economic sector, USAID's anti-corruption programs included land titling, deregulation efforts including support for "one-stop shops" for business registration, municipal budget reform, commercial law, and WTO accession support. The commercial law program provided drafting support on key laws including Bankruptcy, Commercial Procedure Code, Enforcement of Judgments, and Joint Stock Companies.

5. (SBU) USAID's democracy and good governance programs supported a series of Parliamentary hearings on anti-corruption, drafted anti-corruption related legislation, trained NGOs in hearing procedures and policy analysis, supported multiple NGO watchdog and advocacy initiatives at the local, regional, and national level, trained journalists in investigative reporting, launched a Ukraine-wide anti-corruption information campaign, and promoted transparency in elections through election commissioner training, non-partisan voter education, and support for domestic and international elections observation. In the health sector, USG helped increase transparency in policymaking, finance, and procurement of tuberculosis and HIV/AIDS drugs through the development of a national policy group and an HIV NGO coalition. In education, a partnership with the GOU was launched to implement a comprehensive system of national testing for college admissions to combat rampant corruption in an area that affects virtually all families in Ukraine.

6. (SBU) In the criminal justice and law enforcement spheres, State/INL initiated programs to strengthen the independence and transparency of the judiciary and enhance the professional qualifications of judges and defense attorneys, thus ending the Soviet legacy of prosecutorial supremacy. State/INL also initiated programs to support drafting a new criminal procedure code, bringing greater transparency to the pre-trial system, and promoting integrity awareness among midlevel managers and training staff in both the Customs and Border Guard Services. The USG has also supported the drafting of a comprehensive structural reform program for Ukraine's law-enforcement system

along European Union norms, including a comprehensive approach to prosecuting corruption.

GWALTNEY